

Pro Rata Loss Payment Scenarios, and Related Issues

Scenario 1: Two WC Claims with Partial Payments, on the Same Policy

Claimant 1's "as if" payments are \$10k for 10 years, for total of \$100k.

Claimant 2's "as if" payments are \$80k in first month plus \$2k annually for 10 years, for total of \$100k.

Total policy estimate is \$200k.

After month 1, PRLP is 75%.

PRLP will be applied to partial payments after effective date (i.e., months 2 forward).

Payments will stop when total policy payments reach 75% of \$200k, or \$150k.

Month	"As If" Payments			With PRLP at Policy Level		
	Claimant 1	Claimant 2	Policy	Claimant 1	Claimant 2	Policy
1	833	80,167	81,000	833	80,167	81,000
2-12	9,167	1,833	11,000	6,875	1,375	8,250
13-24	10,000	2,000	12,000	7,500	1,500	9,000
25-36	10,000	2,000	12,000	7,500	1,500	9,000
37-48	10,000	2,000	12,000	7,500	1,500	9,000
49-60	10,000	2,000	12,000	7,500	1,500	9,000
61-72	10,000	2,000	12,000	7,500	1,500	9,000
73-84	10,000	2,000	12,000	7,500	1,500	9,000
85-96	10,000	2,000	12,000	5,625	1,125	6,750
97-108	10,000	2,000	12,000			
109-120	10,000	2,000	12,000			
Total Actual				58,333	91,667	150,000
"As if"	100,000	100,000	200,000	100,000	100,000	200,000
Total Actual / "As if"				58%	92%	75%

Claimant 1 receives far less than 75% of "as if", because of the timing of claimant 2's payments

Question: Is this an inequity that we're willing to live with, or would it be better to apply the PRLP at the claim level?

Note that it would be administratively simpler to apply the PRLP at the policy level

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Scenario 2: Individual Claim with Partial Payments

Estimate is that there will be payments are \$50k in first month plus \$5k annually for 10 years, for total of \$100k.

After month 1, PRLP is 75%.

PRLP will be applied to partial payments after effective date.

Payments will stop when total paid to date reaches 75% of \$100k estimate, or \$75k.

Scenario 2a: Claimant dies after 6 years.

Actual payments are \$73k, which are 92% of actual "as if" final settlement value, but less than 75% of the previous estimate.

Scenario 2b: Claimant lives for 11 years.

Payments were stopped partway through year 7.

But since claimant lives past 10 years, payments resume again for year 11.

Actual payments are \$79k, which is more than 75% of previous estimate but is 75% of actual final "as if" settlement value.

Month	Estimate: Claimant will live 10 yrs		Actual 2a: Claimant lives 6 years		Actual 2b: Claimant lives 11 years	
	"As If"	W/ PRLP	"As If"	W/ PRLP	"As If"	Actual
1	50,417	50,417	50,417	50,417	50,417	50,417
2-12	4,583	3,438	4,583	3,438	4,583	3,438
13-24	5,000	3,750	5,000	3,750	5,000	3,750
25-36	5,000	3,750	5,000	3,750	5,000	3,750
37-48	5,000	3,750	5,000	3,750	5,000	3,750
49-60	5,000	3,750	5,000	3,750	5,000	3,750
61-72	5,000	3,750	5,000	3,750	5,000	3,750
73-84	5,000	2,396			5,000	2,396
85-96	5,000				5,000	-
97-108	5,000				5,000	-
109-120	5,000				5,000	-
121-132					5,000	3,750
Total Actual		75,000		72,604		78,750
"As if"	100,000	100,000	80,000	80,000	105,000	105,000
Total Actual / "As if"		75%		91%		75%

Question regarding 2a: Although this claim ended up at more than 75% of "as if" final settlement amount, will full reimbursement apply?